

BANKING.

BY JAMES STORUM, A. M., SECRETARY CAPITAL SAVINGS BANK,
WASHINGTON, D. C.

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The subject which I propose to discuss in this paper is one far reaching in its influence in that it comes in touch with every phase of business and private life. Banking is not the product of our civilization. It was found far back in the early ages. Banking reached a high state of development among the ancient Greeks and Romans. They received money on deposit to be repaid on demand by checks or orders, sometimes paying interest. These banks, however, seem not to have issued notes. The profits to these banks arose from lending the balance at their disposal, for which they charged a higher rate of interest than they paid their depositors.

ORIGIN OF THE WORD "BANK."

The Jews of Lombardy, Italy, are supposed to be the first to make a business of dealing in money. They had benches or *bancos* on which they exchanged money or bills, hence the word bank. Whenever the banker failed his bench or banco was broken, *ruptere*, hence "bankrupt." McLeod, in his "Principles of Economic Philosophy," says: "The true origin of the word 'banco' is a heap or mound, and hence the word is metaphorically applied to a common fund or joint stock."

A bank is an establishment having the power to receive deposits, discount business paper, loan and remit money, pay checks and make collections. It may deal in notes, foreign and domestic bills of exchange, coin, bullion and credits. In very early times the temples were used as places for the safe keeping of money, plate and other valuables, as the safe deposits of to-day, and the priests often loaned the money at reasonable interest. The ancient temples were used as depositories of values, as well as the treasury of the nations. Fabulous amounts of gold and silver and precious gems were placed in these temples and closely guarded. Sometimes it happened, as in the

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temple at Jerusalem, that money dealers resorted there to transact business. As now, so in those days, unscrupulous men were found who resorted to all devices to cheat and defraud those with whom they dealt. You remember the action of the Savior, how he drove from the temple the "money changers" and said, "My house is called the house of prayer, but you have made it a den of thieves."

Some of the minor principles of banking are as ancient as the intercourse of man with man. They have grown and developed as the needs and requirements of man demanded. The advantages of banking business to society is beyond our power to estimate. They are apparent in every channel of trade, every avenue of business, every condition of life. The banker receives deposits large and small from individuals in whose possession it is useless and unproductive, and lends it to those who can use it in their business, but could secure it from no other source. Money deposited with a banker becomes at once productive.

The first regularly established bank of which we have any authentic account was organized at Venice, A. D. 1171, under the following conditions: The Government was embarrassed because of the war in which it was involved, and in order to meet the demands, the Duke compelled each citizen to contribute 1-100th part of his possessions to the State, for which he received from 4 to 5 per cent. In this condition of affairs some of the wealthy citizens formed an organization which they called "Chamber of Loans," and began operations with the State, mortgaging the public revenues to secure the interest, and transferring stock. [In exchange for their money the people received certificates of stock] which could be sold or transferred. Thus the first bank of public debt was established through a forced loan and continued till 1797, a period of 626 years, when it fell with the city which yielded to the brave and invincible cohorts of Napoleon, whose name brought terror to all Europe. The security and stability of the Bank of Venice was due to the fact that funds once deposited in this bank could not be withdrawn but were transferable upon the books at the pleasure of the depositors. So thoroughly did the bank's credit become the means

through which and by ³*which* the financial operations of the people were conducted that these credits were at a premium over coin.

The origin of modern banking may be traced to the money dealers of Florence, who were highly esteemed as receivers on deposit and lenders of money as early as the 14th century. Banking was introduced in England in the 17th century by goldsmiths, who doubtless borrowed it from Holland. The business developed from the following conditions: It was during the time of the civil commotion that the goldsmiths began to receive the rents from the estates of gentlemen and allowed them some interest if the money remained in their hands a month or even less time. This was a great inducement, and large amounts of cash came into their hands, which was used judiciously, honestly and profitably.

The Bank of England, the most powerful monetary institution in the world, was established in 1694, and is now 201 years old. Its projector was William Patterson, a Scotchman. The immediate cause for the organization of this bank was to raise money to aid William III to carry on war with France. By the terms of the contract the corporation was to raise \$6,000,000; this capital was to be loaned to the government at 8 per cent. The privilege of keeping the accounts of the public debt, paying dividends and issuing notes was given to the bank, for which the government paid \$20,000 annually. This bank today transacts the entire business of the government, and is its great support and bulwark. The capital stock has been increased from time to time, until it has expanded to \$72,700,000. The government loan is now \$55,075,000, for which the bank receives $2\frac{1}{2}$ per cent.

The reason why this bank is the centre of England's financial system is found in the simple but important fact that all other banks keep their bullion reserve at the Bank of England. The daily average of the bullion reserve is from \$50,000,000 to \$70,000,000. The largest dividend paid by the bank was $27\frac{1}{2}$ per cent., the lowest $4\frac{1}{2}$ per cent. For the past twenty years the dividend has averaged 10 per cent.

You have doubtless observed that the purpose or the object for which the strong and powerful banks in Europe were estab-

lished was to aid the governments when they were in the throes and struggles of war.

In speaking of banking in Europe, this part of the subject would be incomplete were I to fail to mention that banking firm whose name is a synonym for wealth, the Rothschilds, to whom the nations bow, and who are more powerful than armies and navies. Eleven Barons constitute this firm, with a capital from one to two billions dollars. It is not known how closely the nations of Europe are entwined with the fortune of this powerful monetary firm, but there is one thing certain, they hold the key to all Europe. One nation may declare war upon another, but not the most powerful would have the effrontery to engage in a conflict with the money power of the Rothschilds. The invincible Bismarck, the greatest general of modern Europe, who never yielded his sword to anyone, yielded to the Rothschilds' power. In 1866 the Prussian Government demanded an indemnity of \$25,000,000 from the city of Frankfort. The Rothschilds sent word to Bismarck if any attempt was made to enforce the levy, they would break every bank in Berlin. The great general, who was never known to surrender, bowed in humble submission to the potent force of money. The fabulous wealth of this firm sprang from the genius of Meyer Amschel Rothschild, a son of a poor dealer in furniture and bric-a-brac, at Frankfort. This banker began in a very small way, and for the first few years experienced all the vicissitudes and trials incident to small beginnings. From the beginning he mapped out a policy which the house has unflinchingly followed ever since, namely, absolute secrecy in all of its dealings. One of his mottoes was, "A man will not tell what he has not heard"; another was, "Gold will never repeat what it sees." This policy is forcibly illustrated in the following incident: At the time of the invasion of Napoleon, 1806, Rothschild had built up a reputation at Frankfort as a financier, and had established his son, Nathan, at London. When the news reached Frankfort that Napoleon was coming the Elector of Hesse placed 15,000,000 francs in the custody of Rothschild, who at once sent it to his son at London. Napoleon heard of the money and that it had been put in the hands of Rothschild. Threats and intimidations were fruitless in per-

suading Rothschild to divulge the whereabouts of the treasure. Napoleon offered to allow Rothschild to keep half the money and give him a receipt for the entire amount and a certificate that he yielded only to force, and was in no way responsible for the seizure. But Rothschild was implacable, unmovable. In 1814 the elector returned to Frankfort, and Rothschild gave him the money that had been intrusted to him. The interest that had been realized from the investment, which was the condition of the deposit, formed the corner-stone of the family fortune, which has been, and is now, so managed that it can be used as a unit and concentrated at any point of Europe.

The following statement will give us an idea of the vast wealth of this family: Since 1815 they have raised for Great Britain, \$1,000,000,000; Austria, \$250,000,000; Prussia, \$100,000,000; France, \$400,000,000; Italy, \$300,000,000; Russia, \$125,000,000; Brazil, \$60,000,000 or \$70,000,000, and last February took \$15,000,000 of our bonds.

Recent developments show quite conclusively that this family is eager to gain a substantial foothold in this country, and then, if a very serious controversy should arise between us and England or any of the allied nations of Europe, we would be forced to unfavorable or unsatisfactory, if not ignominious, terms. Russia's generous offer in December, 1896, nearly unsettled the wonted complacency and nonchalance of the Rothschilds. Let us hope, however, that the monetary needs of our Government will be secured from our own people. We present a very peculiar condition of affairs. Our country is rich, abounding in vast and inexhaustible resources, yet in need of money. Nevertheless our credit is good, and will continue to be so as long as we maintain gold and silver as the basis of our currency.

The Bank of North America at Philadelphia was the first authorized bank in this country, and, like the banks of the Old World I have mentioned, rendered signal service to our country when menaced by hostile armies. When the credit of Congress and the State was well nigh exhausted, because the bulk of the currency was in bills of credit, and this currency was so depreciated in value that the Government could not obtain supplies for the support of the army; the soldiers began to be dissatisfied,

and it seemed as though the cause for which the people were fighting was about to be lost. At this critical juncture the Bank of North America furnished the funds that saved the tottering cause, and thus became a powerful factor in establishing American independence. This bank still exists, is staunch and reliable, with a capital of \$1,000,000 and a surplus of \$1,000,000.

Before the Civil War banks were established in various parts of the country under laws of the various States. These banks were allowed to issue notes payable in specie on demand. These bank notes were secured by various kinds of securities, bonds, mortgages and stocks of different corporations, for the ultimate redemption of the notes. But the same cause that prevented the redemption of the bank notes rendered it impossible to turn the securities into cash.

Under this system bank failures were of almost daily occurrence from one end of the country to the other. The notes were of no value beyond their own native heath. This system caused widespread confusion in business and demoralized society. There was no credit, and confidence was blighted. When a bank failed those who held its notes usually lost all. The rapid increase of the bank currency can be realized from the following statement: In 1833 there were \$66,000,000, and in 1837, \$149,000,000. This enormous increase of fiat money with no reliable or enduring foundation, could not long exist. So, in 1837, every bank in the Union stopped payment. Those banks that had been well managed resumed business after a time, but the banks whose issues were based upon bonds and mortgages for ultimate redemption were unable to resume. Ultimate security is not reliable security for a circulating medium. There is, and there can be but one safe basis for fiat money, and that is gold and silver, as an earnest of the redemption of the notes on demand.

One of the many blessings that have come to us from the War of the Rebellion is the establishment of a general banking system. At the beginning of the war there were \$200,000,000 of paper money in circulation, \$150,000,000 of it in the Northern States; it is estimated that there were \$275,000,000 coin in circulation. In order to meet the increased expenses in-

cident to the breaking out of the war, the Government was compelled to borrow money. The banks of Philadelphia, New York and Boston responded to the call with the same avidity and patriotic spirit that the citizen-yeomanry did to the call "to arms." The Government issued demand notes to secure the banks, and these were ultimately succeeded by the "greenbacks." The United States and Treasury notes amount to nearly \$500,000,000. To redeem these the law requires that a reserve of not less than \$100,000,000 in gold should be kept in our Treasury. This has not been done, and if the reserve continues to decrease, the day is not far distant when our U. S. notes will depreciate in value, and we will be forced to discount them.

In 1863-4 the present banking law was enacted and placed under the Comptroller of the Treasury. Under this law banks sprung up in every section of our land. The following are the conditions: Minimum capital, \$500,000, 50 per cent. paid up, and the remainder to be paid in six months; before commencing business there must be transferred to the U. S. Treasurer, U. S. interest-bearing bonds not less than $\frac{1}{4}$ of the capital stock, for which they receive from the Comptroller circulating notes equal to 90 per cent. of the market value of the bonds. These notes now pass currency in any part and every part of this Union. Under the old system of State banks, bank notes depreciated in value only a few miles from home from 10 to 50 per cent., and sometimes, beyond the State limits, were of no value at all. Since the establishment of the present law not one man has lost a dollar of the notes issued. Banks have failed, but not from an over-issue of currency.

During the Presidential campaign of 1892 one of the planks of the Democratic platform was the removal of the tax on State banks, so that a free banking system might be re-introduced. But the history of State banks is well known, and their baneful effects have not been forgotten, and no one had the effrontery to advocate a system that not only demoralized business, but even debauched society.

The success of our present banking system has been unparalleled in the history of banking,, On the 1st of November the

number of National banks was 3,679, having a capital stock of \$650,314,895; circulation notes, \$211,412,820. The resources of 3,676 banks October 31 was \$3,263,685,313.83. Of the 3,679 National banks, more than 75 per cent. of them are in the North and Northwest.

Although the growth of our present banking system has been beneficent as well as marvelous, the time is now at hand that some important changes should be introduced, which experience, discretion and sound business principles suggest. The Government should no longer issue fiat money, but should rely on its gold and silver. It would thus be no longer necessary to keep \$100,000,000 dollars in gold locked up in the vaults as a reserve to redeem its notes; but the gold would enter the channels of trade and perform its legitimate work.

The National banks should be permitted to issue "credit" money to the full amount of the bonds deposited with the Government to secure their circulation, and the banks should be required to keep a coin reserve of at least 25 per cent. of their deposits, and from 60 to 70 per cent. of the reserve should be gold, and the rest silver. The system should be so modified as to meet the demands of our smaller towns and the rural districts. The volume of our currency does not need to be materially increased; it needs to be more elastic, that is, to be increased or decreased (under proper restrictions and rules) as the needs of trade may require; its channels for circulation need to be increased to meet the commercial needs of our great country. The Comptroller of the Currency, Mr. James H. Eckels, in his report to Congress on December 7th, 1896, makes several valuable and profitable suggestions along this line and supports them with argument. If they should be enacted into law our monetary system would be substantially improved.

The issuance of paper money seems to be coeval with coinage of money. The Chinese had "flying money," or "convenient money," two centuries before Christ. The Assyrian government, 625 B. C., issued its bonds on baked clay, the material upon which all her books were written, on which were these words, "Redeemable in gold or silver on presentation at the King's treasury."

Money or its representative is the product with which banks deal. Real or sound money is coined or bullion gold or silver, all other is fiat money. Fiat money is taken on trust or credit, and can only remain current while confidence remains. Credit gives great impetus to, and was a marvelous step in the progress of civilization. Fully 90 per cent. of the business of the world is maintained by credit. If there is no confidence there can be no credit. Credit is possible only in a well-ordered condition of society. The development of wealth is the legitimate outgrowth of credit. Credit has done more to enrich nations than all the mines of gold and silver. Demosthenes, 350 B.C., comprehended the value of credit, and declared as a basic principle of business that "credit is wealth and capital." This widespread system of credit is as dangerous as it is beneficial, unless founded on a solid metallic currency that is above suspicion. As soon as there is a lack of confidence in the basic currency of any nation, the entire superstructure is liable to fall with a crash and bring ruin and widespread disaster far and near. The chief cause of our monetary disturbance today is the unrest and disturbed confidence produced by some politicians in and out of Congress, who clamored for the free coinage of silver at the ratio of 16 to 1. This was the issue upon which the last campaign was fought to the bitter end, and against which the die was cast. The people have declared that the basic principle of our currency shall not be disturbed, but that gold, silver and National bank notes shall constitute the money of this country.

This country cannot afford to recognize any other than a sound, honest dollar, which shall pass current in every section of the world. There can be no confidence and no commercial activity between men or nations unless the monetary system is established upon a sound metallic basis, accepted and acknowledged by all nations. Nothing will bring ruin and dissolution quicker than a debased and unreliable currency. It is like *pyæmia*—it attacks every part of the system and produces death.

Mr. Wm. C. Cornwall, President of the City Bank of Buffalo, N. Y., and President of the New York State Bankers' Association, said in his annual address last July: "The time has come in our history that the bankers must make themselves heard and

felt on the important questions affecting commerce, and especially on those affecting currency. If not bankers, who shall decide what is best to be done in these matters? They handle by far the largest amount of the currency, and come in daily contact with commerce as related to currency, and are students of its effects and the consequences of its character. If the currency is sound, the commerce of the country has a sure basis for healthy growth, and the bankers are in daily touch with its wholesome influence."

Accurate keeping of accounts is as essential to sound credit as sound money. No business can be sure of its condition except by its books, and hence the employees in any and all business must be above suspicion. I quote from Mr. Cornwell again: "The banker is trained from his earliest inception in the business to regard strict honesty as the one qualification, without which nothing else is for a moment to be considered. The community looks to its bankers before all others for the strictest integrity." It is but natural that the banker should not only be solicitous about, but should insist upon and labor to secure, honest money, sound money, true money, for this is the product of his business. "Honesty is the best policy" was one of the mottoes that graced the walls of the school I attended. I would place it before the business world today. It is the only true principle that leads to success. The ancient kingdoms have gone down in ruins for the lack of it. No organization can survive that ignores it in its most minute details.

I have dwelt at some length upon banking in general; I now come to say something of savings banks in particular. The habit of laying by some part of one's earnings for a "rainy day" is as old as man himself. All laws, both human and divine, inculcate the principle of frugality as a social and a personal duty. These habits have been common to all people in every age and country. During this century, however, there has been a manifest improvement. Mr. Gladstone, one of the most conspicuous characters of this age, well known for the liberality of his views and the generosity of his heart, said on one occasion: "Whatever else the Nineteenth century is, it is the

century of the workingman. It is the century which has seen his position raised, his circumstances improved, new means organized for his benefit, new prospects opened for his future." What Mr. Gladstone said several years ago has been fully realized in his own country, but in this land, under the benign influence of our popular government and in this closing decade of this century, the condition of the laboring man has far excelled his predictions. Many who were interested in the improvement of the condition of the laboring people employed various plans, introduced many schemes for their betterment. One of the schemes inaugurated was the savings bank. It is a fact worthy of note, and very complimentary to the women, that the first savings bank was organized by Priscilla Wakefield, in 1799, in the village of Tottenham, England; her main object was to benefit the women and children of her own village. In every humane, charitable and noble work, we always have our Priscillas, and if the John Aldens are lacking in courage, the Priscillas are found equal to the emergency. In 1808 Lady Isabel Douglass organized a savings bank for receiving the deposits of domestic servants only, and paying them interest on their money. These institutions began to grow and expand, and soon attracted the attention of the Government. At first these banks were organized for the benefit of the poor. The attitude taken by the originators of this scheme was, that if the habit of saving could be implanted in the minds of the poor, it would engender industry, thrift and economy; the condition of the people would be improved, and the cost of the Government for the care of criminals and unfortunates would be correspondingly decreased. Furthermore, the idea of independence would be implanted and the demand on parish charity would be largely diminished. The hopes of the pioneers in this benevolent movement were abundantly realized. It was about seven years after the inauguration of the savings bank that its marvelous success attracted the attention of the Government, and laws were passed for their protection and efficiency. The deposits increased rapidly and as a protection to the depositors, the Government borrowed the money at a liberal interest. The Government had a two-fold purpose: First, to secure money to meet its obligations; sec-

only, to encourage the people to save their money. This is what we call a "popular loan," and was urged a few years ago by Senator Sherman when it became necessary for us to borrow money. If our Government would issue bonds of small denominations, \$50, \$100 and upwards, the people would gladly take them and the cost to the Government would be very much reduced.

You must not think there was not opposition to these banks, for there was opposition strong and bitter. The great London "Times," the paper that makes and unmakes kings, before which all Europe bows, was relentless in its opposition to the progress of the savings banks. The "Times" declared that investing money in savings banks was mere hoarding, nothing more than creating misers. Again the "Times" says, "A laborer 50 years old, who has saved \$2,500, the \$2,500 will be a plague of his life, and it would be an act of mercy to swindle him out of it." The "Times" sought to discourage the support given these banks both by the Government and the people, but its efforts were futile. The man who has saved \$2,500 is a better and more reliable citizen than one who has saved nothing. No country has any cause of fear from industrious and saving citizens. The criminals come from the idle and spendthrift classes. These banks passed through many changes in their development, and the Government enacted many laws for their efficiency, and their conduct and the protection of their depositors. The popular savings banks in England today are the postal savings bank.

The savings bank is a potent factor in the marts of trade in our country and a blessing to the people. The first savings bank in this country was established in 1816 in Philadelphia, and still exists; the second one was established at Boston. The third was established at New York City, 1819, and called the Bank for Savings. This bank began business in a very humble way. It opened in a cellar in the evenings, and clerks from other banks came after office hours and gave their services. Today this bank is the second richest bank in the country. Its assets are \$52,000,000, its surplus \$4,000,000.

In November, the savings banks to the number of 988, report loans, \$1,055,187,769; bonds and stocks, \$905,201,682; deposits subject to check, \$28,310,191; saving deposits, \$1,907,156,277; total resources, \$2,143,307,163. These figures can give but a faint idea of the vast amount of money held by the savings banks of our country. There are hundreds of other banks not included in these figures. In view of these facts, the question is seriously asked, "Why will not the Government sell its bonds to the depositors of our savings banks?" It will cost the Government less, it will strengthen the spirit of patriotism and foster the spirit of self-help and frugality among the people.

I come now to speak of a particular class of our body-politic, the colored people. Although they have been, and are now, ignored and ostracised, debarred from and kept out of the marts of trade and the channels of business, yet they have, to some extent, been depositors in the banks from the early days of the Republic till today. But it was not until 1866 or '67, when the Freedman's Savings & Trust Company was organized, that the colored people had any voice in the management of a bank. Many things have been said reflecting upon the management of this bank. The failure of this bank was not the result of mismanagement. Times like the present swept over the country, confidence was shaken, there was a shrinkage in all values, the company could not realize on its real estate and other securities. It sacrificed its U. S. bonds, about \$600,000, and then could not satisfy the depositors. The company has paid 62 per cent., and has to its credit now about \$32,000. If they had been given ten or eleven years to wind up the business they would have paid 100 per cent. and have had a surplus of \$300,000 or \$400,000. This bank was a blessing to the colored people, although its failure well nigh destroyed their confidence. The deposits were \$57,000,000, and at its failure \$54,000,000 had been drawn out. The \$54,000,000 were expended by the people in the purchase of farms, farming implements, shops, dwellings and education. Had it not been for the stimulating influence of this bank and the encouragement it gave the people, this sum of money would not have been saved.

The failure of the Freedman's Bank did not destroy all hope and confidence among the colored people. The organization of the bank of the True Reformers at Richmond, Va., is a living example of their hope, and the following statement is an evidence of confidence. This bank was incorporated by the Legislature of Virginia, 1888, with a capital stock of \$100,000, and began business April, 1889, \$4,000 of the capital stock having been paid in. The following is an extract from the report made to the Auditor of Public Accounts: Loans and discounts, \$12,031.54; stocks, bonds and mortgages, \$54,360.86; banking house, other real estate, &c., \$92,823.00; capital stock, \$42,640; surplus, \$35,459.66; deposits, \$83,221.59; resources, \$176,183.69. During the summer of 1893 this was the only bank in Richmond that continued to pay currency to its depositors. And this Savings Bank of the True Reformers, organized and managed by colored men, was the only bank in the city of Richmond during the summer of '93 that had the currency and the courage to cash the city warrants for the contractors that they might pay their laborers. This act alone inspired confidence and compelled some degree of respect. It ought to go far toward blotting out the spirit of prejudice that afflicts seriously the dominant class in our land.

The Capital Savings Bank of the District of Columbia is an honor to and the pride of the community in general, and the colored people in particular. It began business Oct. 17, 1888, with a working capital so small that to mention it would seem an absurdity. But we do not despise the day of small things. Like every other enterprise, it has had its struggles, its adverse winds; nevertheless it has moved onward, steadily gaining the confidence of the business community and the people in general. To the casual observer, such an undertaking seemed hazardous, if not absurd, but the pluck, the heroic endeavor, the relentless tenacity of the founders of the Capital Savings Bank, have evolved from this small beginning a business that seems marvelous when we consider all the circumstances surrounding it. The following statement shows the extent of the business of the bank during its short existence: Deposits, \$2,564,130.45; loans and discounts, \$1,449,883.99; banking house

and other real estate, \$53,440; capital stock, \$50,000.

Banks are an essential factor in the progress and civilization of a nation. They are the media through which the current flows that electrifies the business world and gives energy to and strengthens the brawny arm of labor. Banks quicken commercial activity and render invaluable aid in all the avenues of trade. They gather all the unemployed capital of the country. While the individual may contribute but little, yet the aggregate is colossal. This accumulated capital now becomes employed, business is active and labor is employed, and the people are happy and prosperous. Banks are infallible proofs of civilization and progress. Commercial and industrial and educational interests cannot exist without them. They are to the business world what the veins and arteries are to the body; through them flows the current that carries force and energy through all the channels of business. The \$7,000,000,000 resources of our banks declare in silent, yet potential eloquence, the commercial activity of the great American people.



